

**EXHIBIT A-1**  
**WATCHLIST CRITERIA**

**DEVELOPMENT PHASE**

<b><u>Category</u></b>	<b><u>Description</u></b>
Construction Delays	Over three (3) months behind schedule
Construction Cost Overruns	Exceeds 110% of original contract Contingency Reserve has been spent
Leasing Delays Qualified Occupancy Delays	Over three (3) months behind schedule
Leasing Delays All Units	Over four (4) months behind schedule
Mechanics Liens	Filed lien not covered by indemnity and cured within three (3) months
Sources/Uses of Funds	Uses greater than sources by 3% of total Development Costs or \$100,000.00, whichever is greater
Change in Qualifying Units	Any timing change
Other litigation	Any action

**OPERATIONAL PHASE**

<b><u>Category</u></b>	<b><u>Description</u></b>
Rental Delinquency	Greater than 7% of Effective Gross Income (EGI)
High Vacancy	Greater than 10% of all units for three consecutive months
Negative Debt Service Coverage	Income after payment of operating expenses and “must pay” debt is negative. Any draws on debt service reserve not replaced within thirty (30) days of draw down
Unpaid Taxes	Real Estate Taxes past due
Insurance	Expired Insurance Policy
Mortgage delinquent	Any “must pay” debt service payment more than thirty (30) days late
Mortgage default	Default on the first mortgage or any subordinate debt
Deferred Maintenance Extraordinary Repairs	Any repairs not budgeted in excess of 5% of EGI or \$25,000.00 whichever is less
Physical Deterioration Natural Disasters	Draws on replacement reserves not refunded in six (6) months. Material change in property’s physical condition based on last inspection of Asset Manager.
Debt Coverage	Less than 1.10 on mandatory “must pay” debt service

Unauthorized Debt

Any unauthorized liens or unauthorized subordinate debt

### **COMPLIANCE ISSUES**

#### **Category**

#### **Description**

Loss of LIHTC

Non-compliance with 10% or more of qualified units

Reporting

Failure to report, submitting incomplete reports

Site visit

Project not visited in twelve (12) months or more

Transfer of ownership

Any change

Unit Non-Compliance

Any qualified units in a project out of LIHTC rent compliance for more than sixty (60) days

### **WATCHLIST RATING**

#### **Category**

#### **Description**

Low Risk

The project is currently being monitored to ensure the problems do not increase

Moderate Risk

An action plan has been developed and implemented to rectify all Watchlist items

High Risk

The project has moved to a workout stage and Asset Manager is actively involved with Owner, Management Agent and Investor

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